

DemandView Information Services Delivers the Vision Promised but Never Achieved with ECR

By: Mark Harran

About the author: *Mark probably knows more about ECR than most people. As Senior VP Sales and Marketing Services at Kraft Foods, he co-chaired the original ECR Task Force, co-authored the original ECR report and was chairman of the first ECR Industry Conference in 1995.*

In the mid 1990's an industry movement began . . . a new vision emerged characterized by collaborative management along the supply chain and aimed at removing \$40 billion of unnecessary costs from the CPG industry. However, the Efficient Consumer Response (ECR) vision was never fully realized because there was no underlying technology that effectively supported collaboration as well as the smooth continual flow of information and products matched to consumption. DemandView Information Services provides future demand forecasts and action-oriented alerts of unprecedented accuracy that delivers the vision promised but never achieved with ECR.

The Rise and Fall of ECR

ECR was an unprecedented joint industry initiative intended to eliminate unnecessary costs from the CPG industry. ECR was a reaction to the growth of grocery sales in non-traditional retailers like warehouse stores, club stores and mass-merchants, particularly, Wal-Mart. Through the 1980's and into the early 1990's, these formats were taking alarming chunks of market share from traditional supermarkets. At first, it was assumed that they were able to support their low prices because they carried limited assortments, favored larger sizes, bought deal-to-deal and used groceries as a loss leader. However, a 1992 McKinsey study, funded by the Food Marketing Institute, concluded that, although the aforementioned factors were operative, the biggest factor by far was that the non-traditional retailers were as much as 20% more operationally efficient than traditional supermarkets. A follow-up study by another consulting group, Kurt Salmon

Associates, concluded that the traditional supermarket supply chain contained waste or unnecessary costs equal to about 10% of sales (or \$40 billion); because of the inefficient means it conducted business with both retailers and manufacturers contributing about equally to the problem.

By 1996, upwards of 200 companies, both retailers and manufacturers, that collectively represented almost ¾ of industry sales were active members of the ECR movement. There were annual ECR conventions with hundreds in attendance, numerous studies on how to best implement the various strategies, many industry publications on various ECR topics, consulting practices built around it and big Fortune 500 companies that created positions dedicated to it, like VP, ECR. But by 2000, ECR had lost most of its following and is now a distant memory to many folks in the CPG industry.

So why did ECR have such a short lifecycle? The answer is not found in the reasons commonly referenced as causing its decline. With the benefit of hindsight, it was the lack of a unifying technology that did not exist then but is available today.

DVIS Delivers the ECR Vision

DemandView Information Services provides what was lacking in the ECR movement and delivers benefits that far exceed Wal-Mart's RetailLink. It has proven itself at scale (283 stores) with every item every day by increasing sales 1-2% and lowering inventories 25% or more. Moreover, it has a 95% accuracy level in predicting problems, like out-of-stocks and excess inventories, so they can be fixed before they occur. For the first time, every item in every store from the distribution center to point-of-sale is visible, including a 31 day sales forecast, and alerts that allow corrective actions to prevent future problems before they happen. This visibility is available simultaneously to retailers and suppliers alike so they can now effectively collaborate to take out unnecessary costs and drive sales.

Our industry has come a long way since the early vision of ECR. The underlying technology to develop DVIS was not available in the days of ECR, but it is now. We can finally obtain a forward-looking picture that provides that missing link of data that provided visibility down to the store shelf that ripples throughout the entire supply chain.

Contact Information:

Bill Purcell
Chief Executive Officer
/Co-FounderMarket6
Bill.purcell@market6.com
925.828.1085

Media Contact:

Rodger Roeser
President/Founder
The Eisen Agency
rroeser@theeisenagency.com
859.291.4302

See tomorrow. Act today.



Phone: (925) 262-8448

1475 North Broadway #300 | Walnut Creek, CA 94596

www.Market6.com | info@market6.com